

**STATE OF NEW JERSEY**

Board of Public Utilities  
Two Gateway Center  
Newark, NJ 07102

ENERGY

IN THE MATTER OF THE PETITION OF )  
SOUTH JERSEY GAS COMPANY TO )  
(1) REVIEW ITS LEVELIZED GAS )  
ADJUSTMENT CLAUSE, (2) REVIEW )  
ITS TEMPERATURE ADJUSTMENT )  
CLAUSE, AND (3) TO IMPLEMENT THE )  
QUARTERLY LGAC PROVISIONS OF ITS )  
RATE UNBUNDLING STIPULATION )

ORDER  
MODIFYING ORDER  
AUTHORIZING  
PROVISIONAL RATES

DOCKET NOS. GR00050293  
GR00050294

(SERVICE LIST ATTACHED)

BY THE BOARD:

On April 28, 2000, South Jersey Gas Company ("South Jersey", "Petitioner", or "Company") filed its annual Levelized Gas Adjustment Clause ("LGAC") petition with the Board of Public Utilities ("Board"). The Company subsequently amended its petition on June 6, 2000. Through this petition, South Jersey sought: (1) not to change its current LGAC rate; (2) to increase its Temperature Adjustment Clause ("TAC") rate from \$0.00 per therm to \$0.0085 per therm to recover a \$2.9 million TAC revenue deficiency for the 1998-1999 Base Year; and (3) to implement the quarterly LGAC provisions of its Rate Unbundling Stipulation (Docket No. GX99030121<sup>1</sup>).

On August 11, 2000, South Jersey filed its second amended petition seeking approval from the Board to increase its current LGAC charge, including Sales and Use Tax ("SUT"), from \$0.1440 per therm to \$0.2991 per therm, which would result in a \$69.9 million annual revenue increase. Through this second amended petition, the Company sought to: 1) increase its LGAC by \$37.1 million to recover increased gas costs during the November 1, 2000 – October 31, 2001 LGAC Year; 2) recover its anticipated LGAC underrecovery of \$26.5 million as of October 31, 2000 over a period of three years with interest on the unamortized balance; and 3) recover its TAC revenue deficiency of \$2.9 million for the 1998-1999 Base Year and \$3.4 million for the 1999-2000 Base Year. If approved, Petitioner's requested rate increase would have increased the monthly bill of a typical residential customer using 100 therms from \$85.69 to \$104.21, an increase of \$18.52, or 21.61%.

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<sup>1</sup> The Rate Unbundling Stipulation was orally approved with modifications by the Board at its January 10, 2000 agenda meeting.

On May 25, 2000, the Board transmitted South Jersey's filing to the Office of Administrative Law ("OAL") for hearing as a contested case. The matter was assigned to Administrative Law Judge ("ALJ") Louis G. McAfoos, III. The ALJ conducted a public hearing on October 10, 2000 in Voorhees, New Jersey.

The parties in this proceeding are the Petitioner, the Division of the Ratepayer Advocate ("Ratepayer Advocate" or "RPA") and Board Staff ("Staff"). Pedericktown Cogeneration Limited Partnership ("PCLP") and Vineland Cogeneration Limited Partnership ("VCLP"), both large volume customers of Petitioner, jointly filed with the Board a notice of motion to intervene in this proceeding on October 2, 2000. On November 1, 2000, the Board transmitted the motion to the OAL. On November 7, 2000, South Jersey Industrial Customer Group ("SJICG") filed with the OAL, a motion to intervene and motion to strike or, in the alternative, to sever and hold in abeyance certain issues beyond the scope of this Order. Petitioner, the Ratepayer Advocate and Staff have engaged in discovery and settlement discussions during this proceeding.

On October 4, 2000, pursuant to N.J.S.A. 48:2-21.1, South Jersey filed an emergent motion for provisional rate relief with the Board seeking to increase its total LGAC rate by up to \$0.2701 per therm, or such other amount as determined by the Board, on a provisional basis, subject to refund, pending the outcome of its LGAC proceeding. If approved, Petitioner's requested rate increase would have increased the monthly bill of a typical residential customer using 100 therms from \$85.69 to \$112.70, an increase of \$27.01 or 31.5%.

On October 4, 2000, Secretary of the Board, Frances L. Smith, sent a letter to the Ratepayer Advocate with copies to the parties in this proceeding (including PCLP and VCLP), as well as the parties to the ongoing LGAC proceedings of the three other gas utilities, advising them that the Board had received emergent motions for provisional rate relief from all four New Jersey natural gas public utilities ("gas utilities"). The letter requested that responses to the motions be filed with the Board before the close of business on Friday, October 6, 2000.

On October 5, 2000, the Ratepayer Advocate filed a generic, two-part letter Answer to the Company's emergent motion as well as to the emergent motions filed by the three other gas utilities. This was the only response to the emergent motions received by the Board. The Ratepayer Advocate's Answer was supplemented on October 6, 2000, by a certification from the Ratepayer Advocate's consultant, Mr. Richard LeLash.

On October 13, 2000, the Company sent a letter to the Ratepayer Advocate providing rate/underrecovery impact schedules for two different proposed scenarios, Scenario I and Scenario II.

On October 23, 2000, the Ratepayer Advocate submitted a further letter to the Board in opposition to the request for provisional rate relief filed by South Jersey as well as in opposition to the alternative proposal presented in South Jersey's October 13, 2000 letter. In its October 23, 2000 letter, the Ratepayer Advocate identified a number of issues which it asserted would substantially affect the Company's alleged gas costs and thus South Jersey's underrecovered balance. The Ratepayer Advocate identified over \$4 million in accounting adjustments that it asserted should be made to South Jersey's filing that would reduce the ultimate amount to be charged to ratepayers. These included: (1) about \$1.5 million in interest on pipeline supplier refunds which should have been, but were not, credited to ratepayers; (2) another \$1.3 million in balancing service revenues that South Jersey improperly failed to credit to ratepayers under Rider J to its gas tariff; and (3) a Temperature Adjustment Clause that should be credited approximately \$1.5 million for 1999-2000 because it uses obsolete weather data.

By Order dated November 16, 2000, the Board addressed this LGAC proceeding, including Petitioner's motion for provisional rate relief and the attachments thereto, as well as the comments of the Ratepayer Advocate and the Company's response thereto. In the November 16, 2000 Order, the Board recalled from the OAL the following issues: (1) the level of rates necessary for Petitioner to recover its prudently incurred gas costs, (2) Petitioner's quarterly LGAC flexible pricing proposal, and (3) Petitioner's LGACRC-2000 proposal. All other issues raised by the petition, which had been transmitted to the OAL, remained at the OAL.

Further, in its November 16, 2000 Order, the Board ordered South Jersey to make a filing on December 1, 2000 that would be the subject of evidentiary hearings in January 2001. The Board ordered that South Jersey's December 1, 2000 filing include, "documentation, testimony, information and schedules in support of Petitioner's position with regard to the issues raised by the Ratepayer Advocate in its October 23, 2000 letter, in particular, the issues of gas cost related accounting adjustments and South Jersey's gas purchasing and hedging strategies."

On December 1, 2000, South Jersey filed testimony and exhibits in accordance with the Board's November 16, 2000 Order. In that filing, South Jersey asserted that the following issues that were raised by the Ratepayer Advocate in its October 23, 2000 letter should remain at the OAL: (1) \$1.5 million pipeline supplier refund issue; (2) \$1.3 million balancing service revenue issue; and (3) \$1.5 million Temperature Adjustment Clause weather data issue. South Jersey asserted that while these issues are pertinent to the base LGAC proceeding, they are peripheral to the issues being considered by the Board in the January 2001 hearings. Since a procedure has already been established to resolve these issues at the OAL, South Jersey maintains that these issues should be returned to the OAL for resolution and requests that the Board so order.

#### Discussion and Findings:

The Board has carefully reviewed the issues in this proceeding, including the issues raised by the Ratepayer Advocate and the request of South Jersey that three of the issues raised by the Ratepayer Advocate be returned to the OAL. The Board agrees with South Jersey that these three issues are specific to South Jersey and may not be germane to the more generic issues that the Board will be addressing in the January evidentiary hearings, and has concluded that these issues would be best addressed as part of the OAL proceeding rather than before the Board.

Therefore, the Board HEREBY MODIFIES its November 16, 2000 Order to reflect that the following issues, which were raised by the Ratepayer Advocate in its letter dated October 23, 2000, shall not be addressed as part of the January 2001 hearings, but shall remain at the OAL:

1. Approximately \$1.5 million in interest on pipeline supplier refunds, which the Ratepayer Advocate asserts should have been, but were not, credited to ratepayers;
2. \$1.3 million in balancing service revenues that South Jersey improperly failed to credit to ratepayers under Rider J to its gas tariff; and

3. Approximately \$1.5 million that the Ratepayer Advocate asserts should be credited to South Jersey's Temperature Adjustment Clause (TAC) for 1999-2000 because South Jersey used obsolete weather data.

DATED: DECEMBER 6, 2000

BOARD OF PUBLIC UTILITIES  
BY:

(SIGNED)

HERBERT H. TATE  
PRESIDENT

(SIGNED)

FREDERICK F. BUTLER  
COMMISSIONER

ATTEST: (SIGNED)

FRANCES L. SMITH  
SECRETARY